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SUPPLEMENT TO
REPORT NO.

25X1X

1. Attached for your retention is a thirteen-page raw report on the organization of the Czech Wholesale Distributing Corporation in Prague.

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X VDP Wholesale Distributing Enterprise, limited liability
company, Enterprise Management PRAHA II, Tesnov 5

Organization :

Enterprise Management is situated in PRAHA II, Tesnov 5. This management is a central organ which rules redemption of food products - all food goods, fruits, vegetables, cosmetics, make-up products, chemical material, cameras and photo-materials, ceramics, saddler's products (harness, whips) and rope-maker's goods. It carries out the redemption of the goods and its distribution to separate county administrations of VDP (Wholesale Distributing Enterprises) and county administrations of Cooperative Societies by ration orders and at the due rate according to the general distributing plan.

Enterprise Management is the most superior administrative organ which rules all the county administrations and is subordinated straight to the Ministry of Inner Commerce which to it presents summary reports, statistical statements from all the subordinated county administrations and branch-offices and presents summary investment and material plans : the investment plan is again the summary plan of all the branches and the material plan is the pre-supposed sale of consumer's goods.

As for personnel affairs VDP is decentralized and these affairs used to be settled straight in each branch, however of late when receiving new employees the consent of Cadre Office of the county administration, which is the most superior authority, used to be required.

Structure of Enterprise Management :

Enterprise Management consists of 9 departments that carry out all the administrative work and management.

a. Control Department :

Employees of Control Department are sent externally to the separate county managements where they make controls of correctness of the entries and check if the administrative rules and regulations, that have been obligatorily fixed by Organization

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b. Organization Department :

This department deals with the administration of all the components of VDF as for organization, e.g. with improving administrative system, eventual saving work, enlargement and deepening of a certain administrative section where the necessity just appears.

In case that Ministry of Inner Commerce issues a decree by which a new administrative section is to be installed, it is the charge of Organization Department to work out a detailed proceeding for all the components and secure the forms and to instruct all the subordinated components by routing-slips.

A further task of this department is schooling of the deputies of the county administrations as for technical problems, especially while installing new administrative methods. The deputies are invited to PRAHA and the schooling lasts a short period, utmost a week.

c. Statistics and Control of Material Plan :

This department gathers statistical reports from all the components and works out a summary statistical overlook which is presented to Ministry of Inner Commerce. The carrying out of material supplies is intercepted statistically.

All consumer's goods have been divided into 10 groups by State Statistical Institute. The groups are numbered from 0 to 9 and then one works but with numbers in statistics. Further working time is intercepted, e.g. hours of work that are put in numbers then and absence and lost hours and the reasons for absentyism, leave, illness, eventually not apologized absence are found out. Also shock-labor brigades and the long ones are intercepted, as well as overtime work.

Very strict is keeping the terms in which the reports are to be presented to the Ministry and in these days Statistical Department often works as late as deep in night.

d. Finance and Management Bookkeeping :

This department centrally rules all the components as for finance and management bookkeeping.

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e. Planning Department :

This department works out summary plans on ground of the detailed plans from the subordinated components. Though the ordered planning is carried out with the subordinate components and sent to Planning Department, of course, the numbers are stated by estimate and in most cases they will reveal later on as absolutely phantastical ones. It is due to the fact that the fluctuation of goods cannot be calculated beforehand and the purchase of consumers depends on many factors that vary day after day.

For example as a reaction to money reform in Poland (autumn 1950) people started to buy all kinds of goods and this reaction had its critical consequences for two articles: shoes and flour, that almost disappeared from market. By enlarging or reducing Free Market the purchase is concentrated on a special kind and other kinds are required but in minimum. On the beginning of 1951 planning of traffic was ordered, e.g. on ground of pre-supposed consumption of goods in the due season and on ground of available motor-park, which was or would be at disposal. So-called tukm (10 q/km) were to be fixed which is a planning unit that determines efficiency of the vehicle and which one operates with during shock-charge of traffic during the season top accomplishment.

Further so-called % of exploitation of the vehicle was to be outnumbered from general overlook.

The separate components present to Planning Department of the management so-called investment plan, e.g. the necessary investments for one year's period. Of course many of these planned investments remain but in paper, simply for the reason that for example the wanted machine (adding machine, calculating machine) cannot be purchased at the market.

f. Investment Department :

This department takes care of evidence of all investments and inventory, carries out the transfer of inventory as for bookkeeping and keeps a list of all the inventory and all the investments, even as for the placement in separate components.

g. Commerce Department :

This department directs by papers all the purchase and distribution of consumer's goods. It sends its dispositions through county administrations to the separate branches that carry out the transport of the goods.

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All the merchandise is divided into 10 sortiments that are exactly fixed, every sortiment has its special clerk. In spite of all planning and distributing administrative staff the distribution itself put in praxis shows rather desperate. Very critical were the shortcomings in supplying with vegetables and fruits, two articles that get spoiled very quickly and require a swift and elastic distribution and proper adjustment as for prices.

This year for example kohlrabies appeared at the market, however they were as expensive that people did not buy them (it was in springtime). When finally the price was reduced, on ground of accumulating store, kohlrabies already were as yellow and got as woody that people did not buy them this time for their poor quality. In this way, despite the high demand of the consumers as for vegetables, not only kohlrabies but also cucumbers and other kinds of fruits and vegetables were practically excluded from sale.

Extraordinarily high prices of fruits in proper season, e.g. Kcs 100.- for 1 kg of garden-strawberries, Kcs 80.- for 1 kg of big Bulgarian grapes and round Kcs 80.- for 1 kg of cucumbers in May, bring about that the customers are not able to buy fruits, the fruits accumulate and get spoiled and only then the prices are relatively reduced, of course losses are extraordinarily high. In supplying with greens and fruits (as with all kinds of consumer's goods) PRAHA is preferred. When the expensive kohlrabies could not be sold in PRAHA they were transported to smaller towns, f.e. to KARLOVY VARY and the separate branches tried to sell them there. When even there, due to the g high price, kohlrabies did not find a ready sale they were transported back to PRAHA, sold at reduced prices and the transport expenses showed quite a superfluous outlay for the distributing sections. Not rarely it occurs that also victuals designed for export are refused and then are to be sold at inland market. This merchandise passes through mysterious and complicated channels which fact is due to too a complicated organization of the distribution.

For example on the beginning of this year CENTROKOMISE, e.g. the central office for export and import of victuals, determined chocolate dessert boxes, that were originally designed for export to England, to be sold at inland market. The dessert boxes were actually sent to England however they were returned for they did not have the required quality. To undo in some way the financial losses for superfluous transport to England and back enormously high prices for inner sale of these dessert boxes were fixed (cca 500.- Kcs).

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PRAMEN (Cooperative Company) was entrusted with sale of these dessert boxes, however this company did not dare to buy them firmly, it only overtook them into commission, to a certain date (APRIL 1). When only a few dessert boxes were sold within this term and when there was a danger that the desserts would get fully spoiled through further storing, VDP decided the desserts to be sold at reduced prices in the country. From the separate PRAMEN's shops the desserts were withdrawn and distributed to the country branches of VDP where finally, after long transports, they were sold some 15 months after the date when they were produced.

An interesting psychological experiment with customers was made during the sale of stewed fruits. These stewed fruits (of a good quality relatively) first appeared at the market before Christmas 1950. However they were as expensive (Kcs 120.- for apricots, Kcs 80.- for a kind of plums, Kcs 60.- for plums) that people did not buy them. Since the sale of these stewed fruits had been planned up to the end of June 1951, and to this term also the manufactory had given the guarantee of quality, and since it was obvious that the stewed fruits would not be sold within this term their price was reduced cca by 50% and in the shop-windows there appeared the inscriptions that the stewed fruits would be sold at reduced prices only up to 10th of March. Since neither within this period the canned stewed fruits were ~~not~~ sold the term was protracted up to the final sold out.

h. Calculation Department :

This department deals with the financial plan, e.g. the pre-supposed gains, outlay, state of debts, financial resources and cash-balance. It works out monthly budgets and quarterly budget overviews.

i. Employment Department :

This department is in charge of all the personnel affairs of the employees, deals with Labor Office, Insurance Company etc.

j. Cadres Department :

The function of this department is purely a political one. This department keeps a careful card-index about all

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the employees, requires cadre-reports from local organizations of KSC (Communist party of Czechoslovakia) and carries out eventual political checking, respectively it itself gives judgements about employees as for their political reliability.

k. Labor and Wages Department :

This department fixes norm rewards, the salaries and makes overooks of working hours.

l. Schooling Department :

This department which is charged with technical and especially political schooling of employees has got at its disposal the castle of MILESOV where the schooling is in course throughout the year, in some cases the schooling takes place straight in PRAHA. Even during so-called "a week's technical schooling" which all the employees will be gradually subdued to, an extraordinarily great stress is put on the political matters.

County Administrations :

The separate county administrations reside in the capitals of political districts.
As for the organization of county administrations and its separate departments it is the same as with Enterprise Management. County administrations are connecting organs between the branch-offices and the Management of PRAHA. Reports and overooks that they get from the branch-offices are then worked out in survey reports and sent to Management of PRAHA. The orders of the Management of PRAHA are worked out in details for the separate branch-offices and also control of branches is made.

Since the Financial Bookkeeping was not able to match all the work connected with nationalized enterprises that had been affiliated to VDF with all their passive and active resources

Department of Affiliated Resources

was instailled the charge of which are but financial affairs of the affiliated enterprises (about 70 in the district of PRAHA - Town) and final liquidation of these enterprises

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as for bookkeeping.

Besides this county administrations also include

Legal Department

which is in charge of all legal affairs of the enterprise and mostly settles the lawsuits with nationalized firms.

Branch Offices :

are in principle wholesale offices for national corporations (separate shops) and for the slight remainings of private undertakings. Branch offices are dislocated in counties and their total number amounts to 200. The branch-offices are divided into sortiment ones, e.g. heavy and light consumer's goods, and special ones that are selling only a definite article, e.g. wine, mineral waters, candy, yeast, potatoes, fruits and vegetables.

Branch offices have no chance to order the goods themselves, but they are allotted the goods on ground of ration-orders of county administrations. Only in case of personnel acquaintance with the due clerk a certain choice is possible. Mainly as for so-called "shortcoming goods" the branches of county administration of PRAMEN are getting so-called "distribution-orders" in which the quantity for the separate branches is accurately fixed in order to prevent eventual intrigues with this kind of wanted goods.

Financial affairs of the branch-office are carried out on ground of so-called "non-financial intercourse", the due amounts are entered but into the books and transfers through so-called "cash-order" or invoicing through State Bank of Czechoslovakia are made.

Besides this the branch-offices work out statistical, budget and other reports that they then send to county administration. The leader of the branch-office and his deputy are responsible for due storing of all goods and for respective losses.

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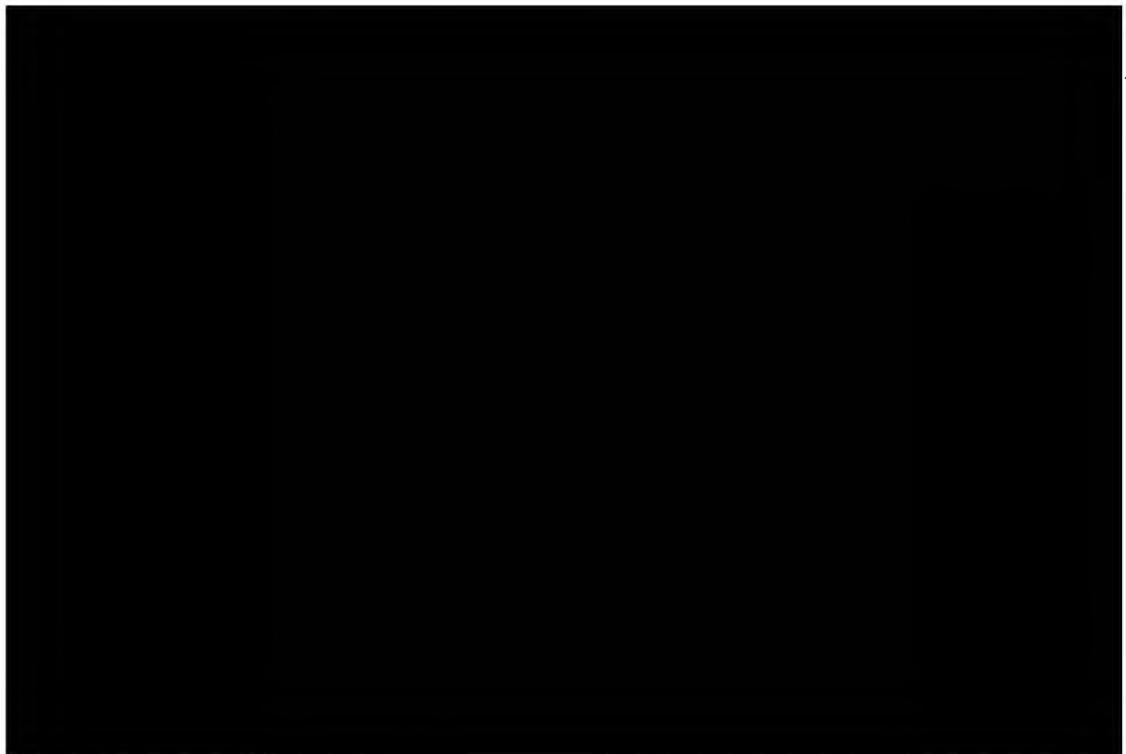
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